



ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

MUNICIPAL MANAGER'S DECLARATION

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 35, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 13 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

A handwritten signature in black ink, appearing to read 'S Boitseng', with a stylized, flowing script.

S BOITSENG
MUNICIPAL MANAGER
8 October 2007

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MOLOPO LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		18 339 423	6 749 984
Capital replacement reserve		1 647 796	2 474 683
Capitilisation reserve		521 495	880 746
Government grant reserve		2 786 007	1 750 476
Accumulated surplus / (deficit)		13 384 125	1 644 079
Current liabilities		7 630 661	5 999 055
Provisions	1	-	-
Creditors	2	1 203 355	946 869
Unspent conditional grants and receipts	3	6 427 306	5 052 186
TOTAL NET ASSETS AND LIABILITIES		25 970 085	12 749 040
ASSETS			
Non-current assets		15 215 642	2 887 725
Property, plant and equipment	5	15 215 642	2 887 725
Long-term receivables	6	-0	-
Current assets		10 754 443	9 861 314
Other debtors	7	104 458	131 140
VAT	4	280 883	306 697
Current portion of long-term receivables	6	-	27 042
Call investment deposits	8	-	-
Bank balances and cash	9	10 369 102	9 396 435
TOTAL ASSETS		25 970 085	12 749 040

MOLOPO LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
REVENUE			
Rental of facilities and equipment		32 206	-
Interest earned - external investments		545 904	373 800
Interest earned - bank		166 708	91 116
Interest earned - outstanding debtors		782	4 201
Government grants and subsidies	10	16 694 483	5 731 059
Other income	11	138 651	50 712
Gains on disposal of property, plant and equipment		13 479	-
TOTAL REVENUE		17 592 215	6 250 887
EXPENDITURE			
Employee related costs	12	2 399 756	1 547 747
Remuneration of councillors	13	1 057 566	389 068
Bad debts		8 719	-
Depreciation		283 299	285 285
Impairment of PPE		-	-
Repairs and maintenance		118 119	133 394
Interest paid		-	-
Bulk purchases		-	-
Contracted services		42 911	12 000
Grants and subsidies paid	14	143 525	253 849
General expenses	15	1 948 878	1 609 601
Loss on disposal of property, plant and equipment		2	153 876
TOTAL EXPENDITURE		6 002 776	4 384 819
SURPLUS / (DEFICIT) FOR THE YEAR		11 589 439	1 866 068

Refer to **Appendix D(1)** for the comparison with the approved budget

MOLOPO LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Pre-GAMAP reserves and funds R	Capital replacement reserve R	Capitilisation reserve R	Government grant reserve R	Donations and public contribution reserve R	Self-insurance reserve R	Revaluation reserve R	Accumulated surplus / (deficit) R	Total R
2006									
Balance at 1 July 2005	8 932 832	-	-	-	-	-	-	947 411	9 880 243
Implementation of GRAP (Note 26)	-8 932 832	2 474 683	896 976	1 750 476	-	-	-	-1 185 629	-4 996 326
Restated balance	-	2 474 683	896 976	1 750 476	-	-	-	-238 218	4 883 917
Surplus / (deficit) for the year	-	-	-	-	-	-	-	1 866 068	1 866 068
PPE revalued	-	-	-	-	-	-	-	-	-
Capital grants used to purchase PPE	-	-	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	-16 230	-	-	-	-	16 230	-
Balance at 30 June 2006	-	2 474 683	880 746	1 750 476	-	-	-	1 644 079	6 749 984
2007									
Correction of error (Note 28)	-	-	-	-	-	-	-	-	-
Change in accounting policy (Note 27)	-	-	-	-	-	-	-	-	-
Restated balance	-	2 474 683	880 746	1 750 476	-	-	-	1 644 079	6 749 984
Surplus / (deficit) for the year	-	-	-	-	-	-	-	11 589 439	11 589 439
PPE revalued	-	-	-	-	-	-	-	-	-
Capital grants used to purchase PPE	-	-826 887	-	1 035 531	-	-	-	-208 645	-
Offsetting of depreciation	-	-	-359 251	-	-	-	-	359 251	-
Balance at 30 June 2007	-	1 647 796	521 495	2 786 007	-	-	-	13 384 125	18 339 423

MOLOPO LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		18 967 335	6 414 643
Cash paid to suppliers and employees		-6 110 324	-6 089 363
Cash generated from / (utilised in) operations	17	12 857 010	325 280
Interest received		713 394	469 117
Interest paid		-	-
NET CASH FROM OPERATING ACTIVITIES		13 570 405	794 397
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-12 853 763	-1 108 776
Proceeds on disposal of property, plant and equipment		256 025	229 500
(Increase) / decrease in non-current receivables		0	27 042
NET CASH FROM INVESTING ACTIVITIES		-12 597 738	-852 234
CASH FLOW FROM FINANCING ACTIVITIES			
New loan raised / (repaid)		-	-
Increase in consumer deposits		-	-
Decrease / (increase) in short-term loans		-	-
NET CASH FLOW FROM FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		972 667	-57 837
Cash and cash equivalents at the beginning of the year		9 396 435	9 454 272
Cash and cash equivalents at the end of the year	18	10 369 102	9 396 435

MOLOPO LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- i) General Notice 991 of 2005, dated 7 December 2005 and issued in Government Gazette No. 28095 of 15 December 2005; and
- ii) General Notice 992 of 2005, dated 15 December 2005 and issued in Government Gazette No. 28095 of 7 December 2005

These standards are summarised as follows:-

GRAP 01	Presentation of financial statements
GRAP 02	Cash flow statements
GRAP 03	Accounting policies, changes in accounting estimates and errors
GAMAP 04	The effects of changes in foreign exchange rates
GAMAP 06	Consolidated financial statements and accounting for controlled entities
GAMAP 07	Accounting for investments in associates
GAMAP 08	Financial reporting of interests in joint ventures
GAMAP 09	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

These Annual Financial Statements are prepared on the historical cost basis.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP or GAAP.

MOLOPO LOCAL MUNICIPALITY
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2007

5. RESERVES

5.1 CAPITAL REPLACEMENT RESERVE (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 CAPITALISATION RESERVE

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit). The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.3 GOVERNMENT GRANT RESERVE

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.4 RE-VALUATION RESERVE

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. Land and buildings are not depreciated. Revaluations on land and buildings are performed in 3 year cycles. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

MOLOPO LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

6. PROPERTY, PLANT AND EQUIPMENT

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to GAMAP 17:

Municipalities are not required to review the useful lives of depreciation methods for the items of property, plant and equipment that have been recognised in its annual financial statements.

Testing for and impairing any items of property, plant and equipment is not required during the exemption period.

A municipality need not apply this standard to any investment properties or biological assets that are recognised at cost. In addition, a municipality need not apply this standard to any recognised intangible assets.

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to IFRS5 (AC142):

The recognition, measurement and disclosure of assets (and relating liabilities) meeting the criteria of 'non-current assets held for sale' need not be accounted for in terms of this standard.

The municipality has made use of the transitional arrangement contained in GAMAP 17 wherein infrastructure assets are not recognised for the first 3 years after implementation of the new GRAP / GAMAP standards.

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below.

Work-in-progress assets in the process of construction is recognised at cost and is depreciated once brought into use (on receipt of the applicable completion certificate from the relevant consulting engineer).

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Where impaired land and buildings are revalued, the increase in value of land and buildings are recognised as revenue to the extent that it reverses the impairment loss previously recognised as an expense.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated as follows on the different PPE categories of the municipality:

<u>PPE category</u>	<u>Method</u>	<u>Years</u>
Land and buildings	Revalued at fair value	3 year cycles
Official vehicles	Straight-line method over estimated useful life of assets	5
Machinery and equipment	Straight-line method over estimated useful life of assets	3
Office equipment	Straight-line method over estimated useful life of assets	3
Office furniture	Straight-line method over estimated useful life of assets	7
Computer equipment	Straight-line method over estimated useful life of assets	3

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

MOLOPO LOCAL MUNICIPALITY
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2007

7. REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation.

8. INTANGIBLE ASSETS

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to IAS 38 (AC129):

Municipalities are only required to apply this standard to expenditure relating to software and website costs.

9. INVESTMENT PROPERTY

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to IAS 40 (AC135):

If a municipality has identified property (that was not previously recognised as investment property in its annual financial statements) and has not satisfied itself that the item is in actual fact an investment property, it need not apply this standard provided that the item is accounted for in term GAMAP 17.

10. FINANCIAL ASSETS

10.1 Financial assets at Fair Value through Profit or Loss (FVTPL)

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss credited or charged to the Statement of Financial Performance. The net gain or loss credited or charged to the Statement of Financial Performance incorporates any dividend or interest earned on the financial asset.

The fair value of financial assets at FVTPL is determined with reference to quoted market prices.

On disposal of financial assets at FVTPL, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

10.2 Held to maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to maturity are recognised on a trade date basis and are initially measured at cost.

Subsequently, held-to-maturity debt securities are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

10.3 Available for sale investments

Listed equities are stated at fair value. Fair value is determined with reference to quoted market prices. Gains and losses arising from changes in fair value, with the exception of impairment losses, are recognised directly in net assets in the investments revaluation reserve.

On disposal of available for sale investments or when such investments are determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is charged or credited to the Statement of Financial Performance.

Dividends on available for sale equity instruments are recognised in the surplus or deficit when the Municipality's right to receive payment is established.

MOLOPO LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

10.4 Loans and receivables

Loans and receivables are recognised on a transaction date basis and are initially measured at cost.

The impairment of loans and receivables is recognised by adjusting the carrying value through the use of a bad debt provision. Increases or decreases to the bad debt provision are recognised as a charge or credit in the Statement of Financial Performance.

11. LEASES

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to IAS 17 (AC105):

Smoothing' of operating lease expenses / revenues in the statement of financial performance is not required for the the 2006/07 and 2007/08 financial years.

11.1 The municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

11.2 The municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

12. FINANCIAL LIABILITIES

12.1 Financial liabilities at Fair Value through Profit or Loss (FVTPL)

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss being credited or charged to the Statement of Financial Performance. The gain or loss credited or charged to the Statement of Financial Performance includes any interest paid on the financial liability.

The fair value of financial liabilities at FVTPL is determined by reference to quoted market prices.

12.2 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Subsequently, other financial liabilities are measured at amortised cost using the effective rate method, with interest costs being recognised on an effective yield basis. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

MOLOPO LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

13 REVENUE RECOGNITION

In terms of Government Gazette no 30013 of 29 June 2007 the following exemptions are applicable with regards to GAMAP 9:

The initial recognition of revenue at fair value.

13.1 Revenue from exchange transactions

Rendering of services

Revenue arising from the rendering of services and the application of the approved tariff of charges is recognised by reference to the percentage of completion as at the reporting date. Where the percentage of completion cannot be measured reliably, revenue from the rendering of services and the application of the approved tariff of charges is recognised to the extent of expenses are recoverable.

Sale of goods

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Service charges

Operating lease revenue is recognised on a straight-line basis over the lease term.

Interest, royalties and dividends

Interest is recognised on a time proportion basis.

Royalty revenue that is earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised by reference to the underlying agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Other grants and donations

Revenue from public contributions is recognised when all conditions associated with the contribution have been met. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

13.2 Revenue from non-exchange transactions

Levies

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Where declarations have not been submitted, estimated levies based on averagedata is accrued. Estimates are reviewed regularly to ensure that averagedata is appropriate. The collection of RSC levies have been discontinued by the Minister of Finance as from 1 July 2006. No further levies received are recognised as income and is off-set against the levy debtors control account.

Other

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

MOLOPO LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

14. BORROWING COSTS

14.1 Expensed

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

15. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

16. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

17. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

18. UNAUTHORIZED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

MOLOPO LOCAL MUNICIPALITY
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2007

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

22. TRADE CREDITORS

Trade creditors are stated at their nominal value.

23. CONSTRUCTION GUARANTEES

In instances where contractors are unable to acquire written construction guarantees, cash deposits are accepted as an alternative. These deposits, once received, are paid into a separate call account and transferred back to the primary account once released. The deposit is utilised to off-set costs incurred by the municipality in the event of default by a contractor. No interest is credited to the deposit.

24. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

25. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

26. COMPARATIVE INFORMATION

26.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only.

26.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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1. PROVISIONS

Refer **Note 2** below.

2. CREDITORS

Trade creditors	-	-
Payments received in advance	-	-
Leave pay	57 372	151 373
Retentions	25 726	-
Other creditors	1 120 258	795 496
Total creditors	1 203 355	946 869

The movement in current provisions are reconciled as follows:

Balance at beginning of year	151 373	109 058
Transfer from non-current	-	-
Contribution to provision	59 071	211 657
Expenditure incurred	-153 073	-169 341
Balance at end of year	57 372	151 373

3. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

3.1 Conditional grants from other spheres of government

	6 427 306	5 052 186
Municipal systems improvement grant	1 529 918	852 812
Tax capacity grant	362 010	362 010
Free basic services grant	112 078	112 078
Local government development fund	1 912 899	1 912 899
Financial assistance grant	34 095	34 095
Transitional grant	690 384	690 384
LED grant (Charcoal project)	106 047	106 047
MIG projects	284 997	145 285
Sports development grant	0	80 722
Financial management grant	920 475	420 475
Library fund	474 403	335 378
Department of Land Affairs	-	-
Total conditional grants and receipts	6 427 306	5 052 186

See **Note 10** for reconciliation of grants from other spheres of government.

These amounts are invested in ring-fenced investments until utilised.

4. VAT

VAT receivable	280 883	306 697
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VAT is payable on the invoice basis. VAT is paid over to SARS as debtors are billed.

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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5. PROPERTY, PLANT AND EQUIPMENT

Refer **note 28** for reconciliation of carrying value.

Refer to **Appendix A** for more detail on property, plant and equipment, including those in the course of construction.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. This transitional provision allows the municipality not to recognize infrastructure assets for a period not exceeding 3 years after the initial implementation of the GRAP / GAMAP statements. The Municipality is in the process of itemizing all infrastructure assets and will recalculate accumulated depreciation once this exercise has been completed by 1 July 2009. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 1 July 2009.

The municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for the 2006/07 financial year due to the exemption granted in Gazette 30013.

The municipality is in the planning phase of a program to recognise and revalue all infrastructure assets by 1 July 2009. A team of specialists (comprising of engineers, accountants and other relevant fields of expertise) will be appointed to do a detailed investigation and determination of all infrastructure assets in terms of applicable accounting standards.

Included in land and buildings above are items that may meet the definition of investment property but have been included as PPE because the municipality had not finalized the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property in terms of the definition in IAS 40 (AC 135).

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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6. LONG-TERM RECEIVABLES

Car loans	-0	27 042
	-0	27 042
Less: Current portion transferred to current receivables	-	-27 042
Car loans	-	27 042
Total receivables	-0	-

Car loans

Senior staff were entitled to car loans which attract interest at 8.5% per annum and which are repayable over a maximum period of 5 years. These loans were repaid in the current financial year (2006/07). Since the inception of the MFMA on 1 July 2004 no further loans had been issued.

7. OTHER DEBTORS

Payments made in advance	-	-
Insurance claims	-	109 700
Other debtors	885 593	852 752
Sub-total	885 593	962 452
Less: Provision for bad debts	-781 134	-831 312
Total other debtors	104 458	131 140

Reconciliation of bad debt provision

Balance at beginning of the year	831 312	40 000
Contribution to provision	6 190	791 312
Bad debts written off against provision	-	-
Reversal of previous years provision	-56 367	-
Balance at end of year	781 134	831 312

8. CALL INVESTMENT DEPOSITS

Refer **Note 9** below.

9. BANK, CASH AND OVERDRAFT BALANCES

The municipality has the following bank account:

Current account (Primary account)

ABSA bank - Vryburg branch - Account number : 4053 7850 45

Cash book balance at beginning of year	1 116 625	1 548 263
Cash book balance at end of year	1 526 288	1 116 625
Bank statement balance at beginning of year	1 119 716	1 797 200
Bank statement balance at end of year	1 620 894	1 119 716

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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Deposits (Daily)

Call accounts	8 842 313	8 279 309
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Call deposits of R1,647,796 (2006: R2,474,683) are ring-fenced and attributable to the Capital replacement reserve.

Call deposits of R6,427,306 (2006: R5,052,186) are ring-fenced and attributable to Unspent conditional grants and receipts.

Refer **Note 20.9** for a detailed breakdown of call accounts.

10. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	4 509 299	3 584 334
Municipal systems improvement grant	56 895	1 710
MIG projects	954 900	1 073 265
Sports development grant	80 722	858 670
Financial management grant	-	80 018
Library fund	210 975	133 061
Department of Land Affairs	10 881 692	-
Total government grants and subsidies	16 694 483	5 731 059

10.1 Equitable share

This grant is utilised to fund the operations of the municipality in accordance with the approved MTREF budget.

10.2 Municipal systems improvement grant

Balance unspent at beginning of year	852 812	120 522
Current year receipts	734 000	734 000
Conditions met - transferred to revenue	-56 895	-1 710
Conditions still to be met - transferred to liabilities (see Note 3)	1 529 918	852 812

This grant is used to establish systems within the Molopo Local Municipality. No funds have been withheld.

10.3 Tax capacity grant

Balance unspent at beginning of year	362 010	362 010
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 3)	362 010	362 010

This grant is used to establish systems within the Molopo Local Municipality for the establishment of an own tax base. No funds have been withheld.

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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10.4 Free basic services grant

Balance unspent at beginning of year	112 078	112 078
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 3)	112 078	112 078

This grant is used to establish systems within the Molopo Local Municipality. No funds have been withheld.

10.5 Local government development fund

Balance unspent at beginning of year	1 912 899	1 912 899
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 3)	1 912 899	1 912 899

This grant is used to build municipal offices for the Molopo Local Municipality. No funds have been withheld.

10.6 Financial assistance grant

Balance unspent at beginning of year	34 095	34 095
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 3)	34 095	34 095

This grant is used to establish financial systems within the Molopo Local Municipality. No funds have been withheld.

10.7 Transitional grant

Balance unspent at beginning of year	690 384	690 384
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 3)	690 384	690 384

This grant is used to establish financial systems within the Molopo Local Municipality. No funds have been withheld.

10.8 LED grant (Charcoal project)

Balance unspent at beginning of year	106 047	106 047
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 3)	106 047	106 047

This grant was used towards the Molopo Charcoal project. No funds have been withheld.

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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10.9 MIG grant

Balance unspent at beginning of year	145 285	360 510
Current year receipts	1 094 612	858 041
Conditions met - transferred to revenue	-954 900	-1 073 265
Conditions still to be met - transferred to liabilities (see Note 3)	284 997	145 285

This grant was used for the construction of various infrastructure projects. No funds have been withheld.

10.10 Sports development grant

Balance unspent at beginning of year	80 722	939 392
Current year receipts	-	-
Conditions met - transferred to revenue	-80 722	-858 670
Conditions still to be met - transferred to liabilities (see Note 3)	-	80 722

This grant was used for the construction of sports related infrastructure projects. No funds have been withheld.

10.11 Financial management grant

Balance unspent at beginning of year	420 475	250 493
Current year receipts	500 000	250 000
Conditions met - transferred to revenue	-	-80 018
Conditions still to be met - transferred to liabilities (see Note 3)	920 475	420 475

This grant is used to establish financial systems within the Molopo Local Municipality. No funds have been withheld.

10.12 Library fund

Balance unspent at beginning of year	335 378	-
Current year receipts	350 000	468 439
Conditions met - transferred to revenue	-210 975	-133 061
Conditions still to be met - transferred to liabilities (see Note 3)	474 403	335 378

This grant was used to fund the libraries in the Molopo Local Municipality. No funds have been withheld.

10.13 Department of Land Affairs

Balance unspent at beginning of year	-	-
Current year receipts	10 881 692	-
Conditions met - transferred to revenue	-10 881 692	-
Conditions still to be met - transferred to liabilities (see Note 3)	-	-

This grant grant-in-kind was used to fund the purchasing of agricultural land for LED projects of the Molopo Local Municipality. No funds have been withheld.

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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10.13 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, significant increases in the level of government grant funding are expected over the forthcoming 3 financial years.

11. OTHER INCOME

Commission received: Salary deductions	642	636
Recovery of bad debts	136 624	-
LG SETA Grant	-	1 017
R293 Personnel subsidy	-	49 059
Sundry Income	1 386	-
Total other income	138 651	50 712

12. EMPLOYEE RELATED COSTS

Employee related costs - Salaries and wages	1 812 115	1 103 174
Employee related costs - Contributions to UIF, pensions and medical	275 751	236 492
Travel, motor car, accommodation, subsistence and other allowances	70 131	85 327
Housing benefits and allowances	60 766	72 225
Overtime payments	20 992	50 530
Performance bonus	160 000	-
Long-service awards	-	-
Less: Employee costs capitalised to Property, Plant and Equipment	-	-
Less: Employee costs included in other expenses	-	-
Total employee related costs	2 399 756	1 547 747

There were no advances to employees. Loans to employees are set out in **Note 6**.

Remuneration of the Municipal Manager

Annual remuneration	336 192	297 533
Performance bonuses	160 000	-
Settlement	480 809	-
Car allowance	70 131	85 327
Contributions to UIF, medical and pension funds	48 279	44 708
Total	1 095 411	427 567

Remuneration of the Chief Financial Officer

Due to insufficient funding the municipality utilises the services of the Chief Financial Officer of the Bophirima District Municipality.

Remuneration of individual executive managers

Due to insufficient funding the municipality utilises the services of the Executive Managers of the Bophirima District Municipality.

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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13. REMUNERATION OF COUNCILLORS

Mayor	303 517	138 897
Councillors	666 088	223 302
Councillors' pension contribution	87 960	26 868
Total councillors' remuneration	1 057 566	389 068

In-kind benefits

The Mayor is full-time and is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

14. GRANTS AND SUBSIDIES PAID

Grants paid to LED projects	38 259	120 027
Grants paid to Local Municipalities	-	85 252
Scholarship Bursaries	105 266	48 570
Total grants and subsidies paid	143 525	253 849

15. GENERAL EXPENSES

Included in general expenses are the following:

Community Functions	32 150	269 743
Special Projects	113 749	-
Travel and subsistence : Councillors	135 627	103 915
Travel and subsistence : Officials	287 199	238 293
Audit Fee	131 892	150 602
Electricity	104 672	11 196
Insurance Premiums	167 272	135 904
Rental equipment	147 547	69 997
Telephone	186 070	162 456
Vehicle - fuel and oil	331 808	242 631

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
16. CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GRAP		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
16.1 Statutory funds		
Balance previously reported		
Capital development fund		3 391 286
Total		3 391 286
Implementation of GRAP		
Transferred to Capital replacement reserve		2 474 683
Transferred to Capitilisation reserve		896 976
Transferred to Accumulated Surplus / (Deficit) (see 16.6 below)		19 627
Total		3 391 286
16.2 Loans redeemed and other capital receipts		
Balance previously reported		5 788 424
Implementation of GRAP		
Transferred to Government grant reserve		1 750 476
Transferred to Donations and public contribution reserve		-
Transferred to Accumulated Surplus / (Deficit) (see 16.6 below)		4 037 948
Total		5 788 424
16.3 Provisions and reserves		
Balance previously reported		
Leave provision		151 373
Bursary Reserve		240 226
Audit provision		80 000
Total		471 599
Implementation of GRAP		
Transferred to conditional grant liability		240 226
Transferred to leave pay provision		151 373
Transferred to Accumulated Surplus / (Deficit) (see 16.6 below)		80 000
Total		471 599
16.4 Property, plant and equipment		
Balance previously reported		6 713 722
Implementation of GRAP		
Transferred to property, plant and equipment		3 461 411
Transferred to Work-in-process and other debtors		-
Transferred to Accumulated Surplus / (Deficit) (see 16.6 below)		3 252 311
Total		6 713 722

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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16.5 Accumulated depreciation

Balance previously reported

-

Implementation of GRAP

Backlog depreciation: Official vehicles	410 975
Backlog depreciation: Machinery and equipment	49 250
Backlog depreciation: Office equipment	31 236
Backlog depreciation: Office furniture	77 674
Backlog depreciation: Computer equipment	106 011

Total debited to accumulated surplus/ (deficit) (see 16.6 below)

675 147

16.6 Accumulated surplus / (deficit)

Implementation of GRAP

Transferred from statutory funds (see 16.1 above)	-19 627
Transferred from loans redeemed & other capital receipts (see 16.2 above)	-4 037 948
Excessive provisions and reserves no longer permitted (see 16.3 above)	80 000
Fair value of PPE previously not recorded (see 16.4 above)	3 252 311
Backlog depreciation (see 16.5 above)	675 147
Proceeds on sale of assets	-540 589
Capitilisation reserve adjusted	-28 321
Conditions met	2 146 725
Scholarship bursary	-280 948
Depreciation set-off	-16 230
Other	-44 891

Total

1 185 629

17. CASH GENERATED BY OPERATIONS

Surplus for the year	11 589 439	1 866 068
Adjustment for:		
Depreciation	283 299	285 285
Gain on disposal of property, plant and equipment	-13 479	-
Loss on disposal of property, plant and equipment	2	153 876
Contribution to provisions - current	-	-
Contribution to bad debt provision	-	-
Dividends received	-	-
Investment income	-713 394	-469 117
Interest paid	-	-

Operating surplus before working capital changes:

11 145 866

1 836 112

(Increase) / decrease in debtors	-	-
(Increase) / decrease in other debtors	53 724	669 099
(Decrease) / increase in conditional grants and receipts	1 375 120	-2 855 648
(Decrease) / increase in creditors	256 487	896 560
(Decrease) / increase in provisions	-	-
(Increase) / decrease in VAT	25 814	-220 842

Cash generated by / (utilised in) operations

12 857 010

325 280

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	10 369 102	9 396 435
Total cash and cash equivalents	10 369 102	9 396 435

19. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

i) The following material fruitless and wasteful expenditure had occurred during the year:

Settlement payment to former municipal manager	480 809	-
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On 31 October 2006, the former Municipal Manager's 5 year employment contract came to an end and was then extended for a further period of 12 months up to 31 October 2007. His extended contract was however terminated 6 months prior to termination of the renewed contract and as a result of this he was given a settlement payment.

The settlement payment will be investigated and presented to council for decision on recovery or write-off in the 2007/08 financial year.

ii) The following material unauthorized expenditure had occurred during the year:

Over expenditure on operating budget votes for the year	302 319	-
---------------------------------------------------------	---------	---

The over expenditure on individual votes for the year, mainly brought on by changes in accounting of the GRAP conversion process, is cash backed and will be presented to council for approval in the 2007/08 financial year.

iii) No further material losses or material irregular or fruitless and wasteful expenditures or material unauthorized expenditure had occurred during the financial year.

iv) No criminal or disciplinary steps were taken as a result of losses from (i) above.

v) No material losses have been recovered or written-off.

20. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE

20.1 Contributions to organised local government: SALGA NW

Opening balance	-	-
Council subscriptions	10 110	7 830
Amount paid - current year	-10 110	-7 830
Amount paid - previous year	-	-
Balance overpaid (included in debtors)	-	-

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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20.2 Audit fees

Opening balance	-	-
Current year audit fees	131 892	150 602
Amount paid - current year	-131 892	-150 602
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

20.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in **Note 4**. All VAT returns have been submitted by the due date throughout the year.

20.4 PAYE and UIF

Opening balance	-1 168	-
Current year payroll deductions	472 261	246 683
Amount paid - current year	-472 261	-247 851
Amount paid - previous year	1 168	-
Balance unpaid (included in creditors)	0	-1 168

The balance unpaid represents PAYE over deductions in previous years re-imbursed in error by SARS. This matter has been resolved with SARS in the 2007/08 year.

20.5 Pension and medical aid deductions

Opening balance	-0	-5 473
Current year payroll deductions and council contributions	558 890	390 685
Amount paid - current year	-557 555	-390 685
Amount paid - previous year	-	5 473
Balance unpaid (included in debtors)	1 336	-0

The balance unpaid represents pension and medical aid differences on control accounts brought forward from previous years. These accounts are in the process of being reconciled.

20.6 Councillors' arrear consumer accounts

No arrears are outstanding from any councillor to the municipality for rates or services.

20.7 Non-compliance with Chapter 11 of the Municipal Finance Management Act

No non-compliance with Chapter 11 of the MFMA

20.8 Transactions with related parties

Transactions entered into with Tosca Trust - Councillor F.G. Louwrens

- Rent	49 018	36 900
- Shop	15 031	6 845
- Fuel	31 771	17 541
- Guesthouse - Accommodation	1 832	5 336
	97 652	66 622

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

20.9 Summary of investments (call accounts)

Description	Bank	Account no	Balance R
MSI Grant	ABSA	9095211992	134 644
Tax Capacity Grant	ABSA	9095211853	404 025
Financial Assistance grant	ABSA	9095212427	38 042
Free Basic Services Grant	ABSA	9095211722	125 094
Development Fund	ABSA	9095212223	2 134 907
Capital Development Fund	ABSA	9101972064	2 761 938
Scholarship Bursary Reserve	ABSA	9119531373	183 551
Transitional Fund	ABSA	9119531975	771 363
Charcoal Project	ABSA	9119532400	118 286
CMIP	ABSA	9119534119	663 963
Sports Development Grant	ABSA	9123579024	823 043
Financial Management grant	ABSA	9141990078	279 551
Library Fund	ABSA	9141923695	386 254
Molopo Social Club	ABSA	9168013506	17 653
			8 842 313

20.9 Operating lease commitments

The municipality's future minimum commitments are as follows:

- Due within one year
- Due between one and five years
- Due after five years

103 192	117 620
307 905	371 497
-	-
411 097	489 117

Total

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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21. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for
- Approved but not yet contracted for

-	-
9 815 705	4 127 437

Total

9 815 705	4 127 437
------------------	------------------

This expenditure will be financed from:

- External loans
- Capital replacement reserve
- Government grants
- Own resources

5 000 000	-
1 294 194	-
-	1 460 200
3 521 511	2 667 237

Total

9 815 705	4 127 437
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22. RETIREMENT BENEFIT INFORMATION

Councillors and employees belong to 3 defined contribution retirement funds:

22.1 Cape Joint Retirement Fund

The last actuarial valuation of the Cape Joint Retirement Pension Fund was done at 30 June 2006. This valuation indicated that the fund is in a sound financial condition at the valuation date.

22.2 Government Employees Pension Fund

The Government Employees Pension Fund is a defined contribution arrangement and is governed by the Government Employees Pension Fund Law, 1996 in terms of Proclamation 21 of 19 April 1996. Actuarial valuations are performed every 3 years. The last actuarial valuation of the Government Employees Pension Fund was done at 31 March 2001. This valuation indicated that the fund is in a financially sound position yet funded at a level of 98.1%.

22.3 Municipal Councillors Pension Fund

The Councillors of the Municipality are members of the Municipal Councillors Pension Fund which is a defined contribution fund and governed by the Pension Funds Act of 1956. The fund was established in 1988 and an actuarial valuation is carried out every 3 years. The last actuarial valuation of the Municipal Councillors Pension Fund was done at 30 June 2003. This valuation indicated that the fund is in a financially sound position and funded at a level of 107.1%.

An amount of R282,074 (2006 : R181,572) was contributed by Council in respect of councillor and employees retirement funding. These contributions have been expensed.

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
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23. CONTINGENT LIABILITIES

No known contingent liabilities.

24. CONTINGENT ASSETS

No known contingent assets.

25. IN-KIND DONATIONS AND ASSISTANCE

The municipality received no in-kind donations and assistance.

26. EVENTS AFTER THE REPORTING DATE

No material litigation is outstanding against the Municipality and no other post balance events have occurred after year-end and up to the date of the completion of these financial statements.

27. COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in **Annexures D(1)** and **D(2)**.

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Land and buildings	Infrastructure	Official vehicles	Machinery and equipment	Office equipment	Office furniture	Computer equipment	Total
	R	R	R	R	R	R	R	R
28. PROPERTY, PLANT AND EQUIPMENT - RECONCILIATION OF CARRYING VALUE								
Carrying values at 1 July 2006	-	1 750 476	955 365	6 997	59 377	115 318	193	2 887 725
Cost	-	1 750 476	1 174 947	72 170	118 050	218 721	127 047	3 461 411
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-219 582	-65 173	-58 673	-103 403	-126 855	-573 686
- Cost	-	-	219 582	65 173	58 673	103 403	126 855	573 686
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	10 881 692	-	621 081	-	8 988	12 189	-	11 523 950
Capital under construction	-	1 329 813	-	-	-	-	-	1 329 813
Increases / decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation	-	-	218 237	6 569	27 031	31 285	177	283 299
- based on cost	-	-	218 237	6 569	27 031	31 285	177	283 299
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value on disposals	-	-	-242 546	-	-	-	-2	-242 548
Cost / revaluation	-	-	-438 133	-	-	-	-35 970	-474 103
Accumulated depreciation	-	-	195 587	-	-	-	35 968	231 555
Impaired losses	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2007	10 881 692	3 080 289	1 115 663	428	41 333	96 223	14	15 215 642
Cost	10 881 692	3 080 289	1 357 895	72 170	127 038	230 911	91 077	15 841 071
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-242 232	-71 741	-85 704	-134 688	-91 063	-625 429
- Cost	-	-	242 232	71 741	85 704	134 688	91 063	625 429
- Revaluation	-	-	-	-	-	-	-	-

Refer to **Appendix D(2)** for the comparison with the approved budget

MOLOPO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Land and buildings	Infrastructure	Official vehicles	Machinery and equipment	Office equipment	Office furniture	Computer equipment	Total
	R	R	R	R	R	R	R	R
RECONCILIATION OF CARRYING VALUE								
Carrying values at 1 July 2005	-	1 750 476	560 257	22 920	12 652	80 237	21 036	2 447 577
Cost	-	1 750 476	971 232	72 170	43 888	157 911	127 047	3 122 724
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-410 975	-49 250	-31 236	-77 674	-106 011	-675 147
- Cost	-	-	410 975	49 250	31 236	77 674	106 011	675 147
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	-	-	973 803	-	74 162	60 810	-	1 108 776
Capital under construction	-	-	-	-	-	-	-	-
Increases / decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation	-	-	195 320	15 922	27 437	25 729	20 843	285 252
- based on cost	-	-	195 320	15 922	27 437	25 729	20 843	285 252
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value on disposals	-	-	-383 376	-	-	-	-	-383 376
Cost / revaluation	-	-	-770 089	-	-	-	-	-770 089
Accumulated depreciation	-	-	386 713	-	-	-	-	386 713
Impaired losses	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2006	-	1 750 476	955 365	6 997	59 377	115 318	193	2 887 725
Cost	-	1 750 476	1 174 947	72 170	118 050	218 721	127 047	3 461 411
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-219 582	-65 173	-58 673	-103 403	-126 855	-573 686
- Cost	-	-	219 582	65 173	58 673	103 403	126 855	573 686
- Revaluation	-	-	-	-	-	-	-	-

MOLOPO LOCAL MUNICIPALITY
APPENDIX A
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost / Revaluation					Accumulated depreciation				Carrying value
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	
	R	R	R	R	R	R	R	R	R	
Land and buildings	-	10 881 692	-	-	10 881 692	-	-	-	-	10 881 692
Infrastructure	1 750 476	-	1 329 813	-	3 080 289	-	-	-	-	3 080 289
Official vehicles	1 174 947	621 081	-	-438 133	1 357 895	219 582	218 237	-195 587	242 232	1 115 663
Machinery and equipment	72 170	-	-	-	72 170	65 173	6 569	-	71 741	428
Office equipment	118 050	8 988	-	-	127 038	58 673	27 031	-	85 704	41 333
Office furniture	218 721	12 189	-	-	230 911	103 403	31 285	-	134 688	96 223
Computer equipment	127 047	-	-	-35 970	91 077	126 855	177	-35 968	91 063	14
TOTAL	3 461 411	11 523 950	1 329 813	-474 103	15 841 071	573 686	283 299	-231 555	625 429	15 215 642

MOLOPO LOCAL MUNICIPALITY
APPENDIX B
SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost / Revaluation					Accumulated depreciation				Carrying value
	Opening balance	Additions	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	
	R	R	R	R	R	R	R	R	R	R
Office of the Mayor	244 207	-	-	-	244 207	5 215	11 309	-	16 524	227 683
Office of the Speaker	-	-	-	-	-	-	-	-	-	-
Office of the Municipal Manager	8 801	-	-	-	8 801	7 229	982	-	8 211	590
Budget and treasury office	533	-	-	-	533	286	80	-	366	167
Corporate services	1 390 463	630 069	-	-474 103	1 546 429	550 237	256 301	-231 555	574 983	971 446
IDP	2 142	-	-	-	2 142	1 076	252	-	1 328	815
Environmental health	-	-	-	-	-	-	-	-	-	-
Engineering services	1 750 476	-	1 329 813	-	3 080 289	-	-	-	-	3 080 289
Local economic development	-	10 881 692	-	-	10 881 692	-	-	-	-	10 881 692
Library services	64 788	12 189	-	-	76 978	9 642	14 375	-	24 017	52 961
TOTAL	3 461 411	11 523 950	1 329 813	-474 103	15 841 071	573 686	283 299	-231 555	625 429	15 215 642

MOLOPO LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2007

	2007			2006		
	Actual income R	Actual Expenditure R	Surplus / (Deficit) R	Actual income R	Actual Expenditure R	Surplus / (Deficit) R
Office of the Mayor	620 581	742 197	-121 616	-	479 522	-479 522
Office of the Speaker	680 380	800 750	-120 370	-	339 848	-339 848
Office of the Municipal Manager	598 895	1 107 345	-508 449	-	533 209	-533 209
Budget and treasury office	719 245	683 232	36 013	4 185 890	721 756	3 464 134
Corporate services	2 038 060	2 279 624	-241 563	-	1 949 258	-1 949 258
IDP	157 762	158 879	-1 117	-	151 031	-151 031
Environmental health	3 204	1 518	1 686	-	-	-
Engineering services	1 195 798	-	1 195 798	1 931 936	-	1 931 936
Local economic development	11 309 385	38 259	11 271 126	-	120 027	-120 027
Library services	268 905	190 973	77 932	133 061	90 167	42 894
Total	17 592 215	6 002 776	11 589 439	6 250 887	4 384 819	1 866 068

MOLOPO LOCAL MUNICIPALITY
APPENDIX D(1)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE PERIOD ENDED 30 JUNE 2007

	2007				Explanation of significant variances greater than 10% versus budget
	Actual R	Adjustments Budget R	Variance R	Variance %	
REVENUE					
Rental of facilities and equipmen	32 206	-	32 206	100%	Land transfers from Department of Land Affairs not known at budget compilation tim
Interest earned - external investment:	545 904	160 000	385 904	241%	Increase in interest rate and GRAP conversion process regarding intere:
Interest earned - bank	166 708	100 377	66 331	66%	Increase in interest rate and GRAP conversion process regarding intere:
Interest earned - outstanding debtor:	782	-	782	100%	Interest on long-term receivables not provided fc
Government grants and subsidies:	16 694 483	6 696 891	9 997 592	149%	Land transfers from Department of Land Affairs not known at budget compilation tim
Other income	138 651	1 071 924	-933 273	-87%	GRAP conversion process regarding appropriation of previous year surpl
Public contributions and donations	-	-	-	0%	-
Gains on disposal of property, plant and equipmer	13 479	-	13 479	0%	GRAP conversion process regarding gains on disposal of PPI
TOTAL REVENUE	17 592 215	8 029 192	9 563 023	119%	
EXPENDITURE					
Employee related costs	2 399 756	2 114 022	-285 734	-14%	Provision for payment of settlement to former Municipal Manage
Remuneration of councillors:	1 057 566	1 058 906	1 340	0%	-
Bad debts	8 719	-	-8 719	-100%	GRAP conversion process regarding bad debt:
Collection costs	-	-	-	0%	-
Depreciation	283 299	-	-283 299	-100%	GRAP conversion process regarding depreciatio
Impairment of PPE	-	-	-	0%	-
Repairs and maintenance	118 119	162 000	43 881	27%	Savings on repairs of vehicles - vehicles have been replaced recently - lower maintenanc
Interest paid	-	-	-	0%	-
Bulk purchases	-	-	-	0%	-
Contracted services	42 911	-	-42 911	-100%	GRAP conversion process regarding contracted service
Grants and subsidies paic	143 525	-	-143 525	-100%	GRAP conversion process regarding grants and subsidies pai
General expense:	1 948 878	4 694 264	2 745 386	58%	Nett effect of GRAP conversion proces:
Loss on disposal of property, plant and equipmer	2	-	-2	0%	-
TOTAL EXPENDITURE	6 002 776	8 029 192	2 026 416	25%	
NET SURPLUS / (DEFICIT) FOR THE YEAR	11 589 439	-	11 589 439	100%	

MOLOPO LOCAL MUNICIPALITY

APPENDIX D(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE PERIOD ENDED 30 JUNE 2007

	2007						Explanation of significant variances greater than 10% versus budget
	Actual R	Under construction R	Total additions R	Adjustments Budget R	Variance R	Variance %	
Office of the Mayor	-	-	-	-	-	0%	-
Office of the Speaker	-	-	-	-	-	0%	-
Office of the Municipal Manager	-	-	-	-	-	0%	-
Budget and treasury office	-	-	-	-	-	0%	-
Corporate services	630 069	-	630 069	2 417 237	1 787 168	74%	Additional funding not obtained for new municipal office:
IDP	-	-	-	-	-	0%	-
Environmental health	-	-	-	-	-	0%	-
Engineering services	-	1 329 813	1 329 813	1 000 000	-329 813	-33%	Capital projects funded from external sources not known at budget compilation time
Local economic development	10 881 692	-	10 881 692	-	-10 881 692	-100%	Land transfers from Department of Land Affairs not known at budget compilation time
Library services	12 189	-	12 189	250 000	237 811	95%	Capital budget plan of library funds not completed in 2006/07 - to be completed in 2007/08
TOTAL	11 523 950	1 329 813	12 853 763	3 667 237	-9 186 526	-251%	

